

Company Registration Number 3490323

**AVIATION TRAINING INTERNATIONAL
LIMITED**

Report and Financial Statements

31 December 2006

FRIDAY



AAA7ZNBY

A04

23/02/2007

647

COMPANIES HOUSE

AVIATION TRAINING INTERNATIONAL LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

CONTENTS

	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
<i>Cash flow statement</i>	8
Notes to the financial statements	9

AVIATION TRAINING INTERNATIONAL LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Richard K Smith (WHL)
Albert G Brookes (WHL)
Philip Schwab (Boeing)
Torbjorn B Sjogren (Boeing) - Chairman
Patrick J Nohalty (Boeing)
Christopher J P Haynes (WHL)

SECRETARY

Battens Secretarial Services Limited

REGISTERED OFFICE

Coldharbour Business Park
Sherborne
Dorset
DT9 4JW

AUDITORS

Deloitte & Touche LLP
Bristol

AVIATION TRAINING INTERNATIONAL LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2006.

PRINCIPAL ACTIVITY

The principal activity of the company is to provide the British Army with training for helicopter aircrew, groundcrew and maintenance personnel.

BUSINESS REVIEW

All four of the company's training centres are in operation and training services to the Ministry of Defence were provided as contracted. Under contract amendment, ATIL developed, implemented and obtained customer acceptance of the second of a series of significant enhancements to the training service. This latest enhancement brought the configuration of the simulators into line with the fielded aircraft. ATIL was also contracted to deliver a variety of additional training courses. Operating profit for the year was £24,319,000 (2005: £25,551,000) and the cashflow from operations was £40,211,000 (2005: £36,351,000). The Directors anticipate a similar level of operating profit from comparable sales during 2007.

PRINCIPAL RISKS AND UNCERTAINTIES

Cash Flow Risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The company uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures.

Credit Risk

The company's principal financial assets are bank balances, cash and trade receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The company has no significant credit risk, with its main customer being the Ministry of Defence (MoD).

Operational Risks

ATIL has identified an obsolescence risk with the visual systems of its simulators. To address this, ATIL has agreed to undertake an enhancement and technology insertion programme, jointly funded by ATIL and its customer, the MoD. Essentially, ATIL will fund obsolescence risk mitigation and the customer will fund capability enhancements made possible by an improved visual system. This cooperative partnering approach is to the advantage of all stakeholders and symptomatic of ATIL's excellent relationship with its MoD customer.

A variety of MoD initiatives are creating uncertainty around the physical location of two of ATIL's training centres in the long term. Whilst this presents an opportunity to ATIL, it does create some uncertainty for our staff. ATIL is working closely with its MoD customer to ensure any changes are managed in a controlled manner and will have no adverse commercial consequence for ATIL.

RESULTS

The profit and loss account of the company for the year shows a profit after interest and taxation of £8,773,000 (2005: £8,480,000).

DIVIDENDS

No dividend was paid during the year ended 31 December 2006 (2005: £11,000,000).

AVIATION TRAINING INTERNATIONAL LIMITED

DIRECTORS' REPORT (continued)

CHARITABLE DONATIONS

The company made charitable donations during the year of £6,463 (2005: £10,900).

DIRECTORS

The directors at 31 December 2006 hold no interest in the company. The directors who served throughout the year were as follows:

Albert G. Brookes (WHL)
Richard K. Smith (WHL)
Ronald D. Hancock (Boeing) (resigned 15 February 2006)
Torbjorn B. Sjogren (Boeing) (appointed 9 March 2006)
Keith R. Hertenberg (Boeing) (resigned 1 December 2006)
Philip Schwab (Boeing) (appointed 1 December 2006)

On 2 January 2007 P Nohalty and C Haynes were appointed as directors.

There are no disclosable interests under the Companies Act 1985.

AUDITORS

Each of the directors of the Company holding office at the date of approval of this report confirm that:

1. so far as each of the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
2. so far as each of the directors are aware they have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

This confirmation is given and shall be interpreted in accordance with the provisions of S.234ZA of the Companies Act 1985.

A resolution to reappoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board on 20 February 2007



Patrick J Nohalty
Director

AVIATION TRAINING INTERNATIONAL LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

AVIATION TRAINING INTERNATIONAL LIMITED

We have audited the financial statements of Aviation Training International Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant framework and are properly prepared in accordance with the Companies Act 1985. We also report to you on the consistency of the directors' report with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Chartered Accountants and Registered Auditors
Bristol, United Kingdom

22 February 2007

AVIATION TRAINING INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2006

	Note	2006 £'000	2005 £'000
TURNOVER	2	55,847	53,266
Cost of sales		(28,238)	(24,400)
GROSS PROFIT		27,609	28,866
Administrative expenses		(3,307)	(3,317)
Other operating income		17	2
OPERATING PROFIT	3	24,319	25,551
Interest receivable		2,156	1,784
Interest payable and similar charges	5	(13,795)	(14,873)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		12,680	12,462
Tax on profit on ordinary activities	6	(3,907)	(3,982)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION BEING PROFIT FOR THE FINANCIAL YEAR		8,773	8,480

All of the results above relate to continuing operations.

There were no recognised gains and losses for the year other than those in the profit and loss account above, and accordingly no separate statement of total recognised gains and losses is presented.


AVIATION TRAINING INTERNATIONAL LIMITED

BALANCE SHEET At 31 December 2006

	Notes	2006		2005	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	8		143,178		156,990
CURRENT ASSETS					
Stocks	9	3,482		3,782	
Debtors	10	9,723		8,530	
Cash at bank and in hand		46,852		35,047	
		60,057		47,359	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(23,535)		(19,181)	
NET CURRENT ASSETS			36,522		28,178
TOTAL ASSETS LESS CURRENT LIABILITIES			179,700		185,168
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12		(142,787)		(160,294)
PROVISIONS FOR LIABILITIES AND CHARGES	13		(20,773)		(17,507)
NET ASSETS			16,140		7,367
CAPITAL AND RESERVES					
Called up share capital	14		550		550
Profit and loss account	15		15,590		6,817
SHAREHOLDERS' FUNDS	16		16,140		7,367

These financial statements were approved by the Board of Directors on 20 February 2007

Signed on behalf of the Board of Directors


Patrick J Nohalty
Director

AVIATION TRAINING INTERNATIONAL LIMITED

CASH FLOW STATEMENT Year ended 31 December 2006

	Notes	2006		2005	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	17		40,211		36,351
Returns on investment and servicing of finance					
Interest received		2,132		1,781	
Interest paid		(13,590)		(14,477)	
Net cash outflow from return on investments and servicing of finance			(11,458)		(12,696)
Taxation					
UK corporation tax paid			(560)		(567)
Capital expenditure					
Payments to acquire tangible fixed assets			(997)		(881)
Equity dividends paid			-		(11,000)
Net cash inflow before financing			27,196		11,207
Financing					
Repayments of long term borrowing			(15,391)		(13,279)
Increase/(Decrease) in cash in the year	19		11,805		(2,072)

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards, which have been applied consistently throughout the year.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Turnover and profit for training courses is recognised evenly over the length of each course, while turnover and profit on other contracted services is recognised in accordance with the contract milestones.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

Interest payable and fees incurred in relation to the production of tangible assets are capitalised on an asset by asset basis using the applicable rate of interest charged on the related debt.

Interest is capitalised on each asset up until each asset is ready for its intended use and is capable of generating revenues.

Depreciation is provided on all tangible fixed assets, except assets in the course of construction, at rates calculated to write off their cost, less their estimated residual value, over their expected useful lives as follows:

Short leasehold buildings and improvements	between 10 and 18 years or the period of the lease if shorter
Simulators and training equipment	between 3 and 18 years, unless usage is guaranteed under contract in which case depreciation is provided at guaranteed usage rates
Office equipment and systems and other	between 3 and 18 years

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date or, if hedged, at the rate in the forward contract.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction except in instances where those transactions are provided for at a hedged rate of exchange. Exchange differences are taken into account in arriving at the operating profit.

Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

1. ACCOUNTING POLICIES (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow moving or defective items where appropriate.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Debt

Debt is initially stated at the amount of net proceeds after deduction of issue costs. The carrying amount is increased by the finance costs in respect of the accounting period and reduced by payments made in the period.

Finance costs

Finance costs of debt are recognised over the term of such instruments at a constant rate on the carrying amount.

Pension costs

The company participates in the externally funded defined benefit Westland Pension Scheme. This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the group. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

2. TURNOVER

The turnover was derived from the company's principal activity which was carried out wholly in the United Kingdom.

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2006

3. OPERATING PROFIT

	2006 £'000	2005 £'000
The operating profit is stated after charging:		
Depreciation on owned assets	14,814	14,822
Operating lease rentals - other	133	129
Profit on foreign exchange	(16)	(2)
Auditors' remuneration:		
- audit	37	24
- non-audit services		
- other services related to taxation	7	8
- all other services	5	7
	<u> </u>	<u> </u>

4. STAFF COSTS

The average number of staff employed by the company during the year (including directors) was as follows:

	2006 No.	2005 No.
On-site staff	93	92
Administration - Headquarters	24	24
	<u>117</u>	<u>116</u>

	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	4,224	4,073
Social security costs	449	433
Other pension costs	701	544
	<u>5,374</u>	<u>5,050</u>

The directors received no remuneration from the company during the year (2005: nil). It is not practicable to allocate remuneration between services to this company and other companies.

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £'000	2005 £'000
Bank loans	10,015	10,804
Shareholder loans	3,609	3,892
Other	(5)	-
Amortisation of loan issue costs	176	177
	<u>13,795</u>	<u>14,873</u>

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

6. TAX ON PROFIT ON ORDINARY ACTIVITIES	2006 £'000	2005 £'000
Current tax		
UK Corporation tax charge	646	535
Adjustment in respect of prior year	(5)	3
Total current tax	<u>641</u>	<u>538</u>
Deferred tax		
Origination and reversal of timing differences	3,431	3,443
Adjustment in respect of prior year	(165)	1
Total deferred tax	<u>3,266</u>	<u>3,444</u>
Total tax on profit on ordinary activities	<u>3,907</u>	<u>3,982</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax assessed for the year differs from the standard rate for the reasons set out in the following reconciliation.

	£'000	£'000
Profit on ordinary activities before tax	<u>12,680</u>	<u>12,462</u>
	£'000	£'000
Tax at 30% thereon	3,804	3,739
Expenses not deductible for tax purposes	273	239
Capital allowances in excess of depreciation	(140)	(1,408)
Utilisation of tax losses	(3,291)	(2,035)
Adjustment in respect of prior year	(5)	3
Total actual amount of current tax	<u>641</u>	<u>538</u>

7. DIVIDENDS	2006 £'000	2005 £'000
Dividends paid on equity shares of nil (2005: £20,000) per share	<u>-</u>	<u>11,000</u>

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

8. TANGIBLE FIXED ASSETS

	Assets in the course of construction £'000	Short leasehold buildings and improvements £'000	Simulators and training equipment £'000	Office equipment, systems and other £'000	Total £'000
Cost					
At 1 January 2006	571	27,592	189,103	7,350	224,616
Additions	540	49	251	162	1,002
Disposals	-	-	-	(6)	(6)
Transfers	(1,033)	-	1,033	-	-
At 31 December 2006	78	27,641	190,387	7,506	225,612
Accumulated depreciation					
At 1 January 2006	-	8,158	55,198	4,270	67,626
Charge for the year	-	1,680	12,360	774	14,814
Disposals	-	-	-	(6)	(6)
At 31 December 2006	-	9,838	67,558	5,038	82,434
Net book value					
At 31 December 2006	78	17,803	122,829	2,468	143,178
At 31 December 2005	571	19,434	133,905	3,080	156,990

Included in cost above are interest and fees capitalised in prior periods as follows:

	2006 £'000	2005 £'000
Interest and fees		
Short leasehold buildings and improvements	3,094	3,094
Simulators and training equipment	21,722	21,722
Office equipment and systems	642	642
	25,458	25,458

9. STOCKS

	2006 £'000	2005 £'000
Consumables	3,482	3,782

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

10. DEBTORS

	2006 £'000	2005 £'000
Due within one year:		
Trade debtors	6,920	4,980
Prepayments and accrued income	2,803	3,550
	<u>9,723</u>	<u>8,530</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £'000	2005 £'000
Bank loans	14,832	12,841
Other loans	2,851	2,550
Trade creditors	81	192
Corporation tax	377	295
Other creditors including taxation and social security	2,013	1,567
Accruals and deferred income	3,381	1,736
	<u>23,535</u>	<u>19,181</u>

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006 £'000	2005 £'000
Bank loans	113,827	128,483
Other loans	28,960	31,811
	<u>142,787</u>	<u>160,294</u>

The loans, excluding amounts due within one year, are repayable as follows:

	£'000	£'000
Amounts falling due:		
- between one and two years	19,205	17,860
- between two and five years	66,426	64,139
- after more than five years	58,394	79,886
	<u>144,025</u>	<u>161,885</u>
Less: issue costs to be recognised over the term of the loan	(1,238)	(1,591)
	<u>142,787</u>	<u>160,294</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

The bank loans, excluding amounts due within one year, are repayable as follows:	2006	2005
	£'000	£'000
Amounts falling due:		
- between one and two years	16,009	15,009
- between two and five years	54,364	53,364
- after more than five years	44,692	61,701
	<hr/>	<hr/>
	115,065	130,074
Less: issue costs to be recognised over the term of the loan	(1,238)	(1,591)
	<hr/>	<hr/>
	113,827	128,483
	<hr/>	<hr/>

The shareholder loans, excluding amounts due within one year, are repayable as follows:

	£'000	£'000
Amounts falling due:		
- between one and two years	3,196	2,851
- between two and five years	12,062	10,775
- after more than five years	13,702	18,185
	<hr/>	<hr/>
	28,960	31,811
	<hr/>	<hr/>

The bank loans outstanding are secured by a first fixed charge over all the assets of the company, assignment of insurance policies and projected contracts and first fixed and floating charges over bank accounts. These debts are due to be repaid by 18 consecutive semi-annual repayments payable on and from June 2006 until December 2014. The interest rates applicable to the bank loan outstanding is LIBOR plus a variable margin of between 0.75% and 1.00%. An additional Mandatory Liquid Assets cost is applied to all outstanding debts.

The shareholder loans are unsecured, and are due to be repaid by semi-annual repayments payable until December 2014, and bear interest at LIBOR plus 6.0%.

13. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation	£'000
At 1 January 2006	17,507
Charged to the profit and loss account	3,266
	<hr/>
At 31 December 2006	20,773
	<hr/>

The liability for deferred taxation is analysed as follows:	2006	2005
	£'000	£'000
Accelerated capital allowances	27,500	27,484
Tax losses available	(6,728)	(9,977)
	<hr/>	<hr/>
	20,773	17,507
	<hr/>	<hr/>

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

14. SHARE CAPITAL	2006	2005
	£'000	£'000
Authorised, allotted, called up and fully paid		
275,000 Ordinary class 'A' shares of £1 each	275	275
275,000 Ordinary class 'B' shares of £1 each	275	275
	<u>550</u>	<u>550</u>
Class 'A' and Class 'B' shares carry the same rights. All shares were allotted at nominal value.		
15. PROFIT AND LOSS ACCOUNT	2006	2005
	£'000	£'000
At beginning of the year	6,817	9,337
Retained profit/(loss) for the year	8,773	(2,520)
At end of the year	<u>15,590</u>	<u>6,817</u>
16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2006	2005
	£'000	£'000
Opening shareholders' funds	7,367	9,887
Profit for the financial year	8,773	8,480
Dividends paid on equity shares	-	(11,000)
Closing shareholders' funds	<u>16,140</u>	<u>7,367</u>
17. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2006	2005
	£'000	£'000
Operating profit	24,319	25,551
Depreciation	14,814	14,822
Increase in debtors	(1,165)	(1,173)
Decrease/(increase) in stocks	300	(24)
Increase/(decrease) in creditors	1,943	(2,825)
Net cash inflow from operating activities	<u>40,211</u>	<u>36,351</u>

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

18. ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2006 £'000	Cash flows £'000	Other non-cash changes £'000	At 31 December 2006 £'000
Cash at bank and in hand	35,047	11,805	-	46,852
Debt due after one year	(160,294)	-	17,507	(142,787)
Debt due within one year	(15,391)	15,391	(17,683)	(17,683)
	<u>(140,638)</u>	<u>27,196</u>	<u>(176)</u>	<u>(113,618)</u>

19. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2006 £'000	2005 £'000
Net debt at beginning of year	(140,638)	(151,668)
Increase/(decrease) in cash in the year	11,805	(2,072)
Repayments of long-term borrowing	15,391	13,279
Amortisation of loan issue costs	(176)	(177)
Net debt at end of year	<u>(113,618)</u>	<u>(140,638)</u>

20. FINANCIAL COMMITMENTS

	2006 £'000	2005 £'000
At year end the company had capital commitments as follows:		
Contracted for but not provided for	-	293

Annual commitments under non-cancellable operating leases are as follows:

	2006		2005	
Expiry date	Buildings £'000	Others £'000	Buildings £'000	Others £'000
Within one year	-	11	-	5
Between one and five years	-	61	40	49
After five years	81	-	17	-
	<u>81</u>	<u>72</u>	<u>57</u>	<u>54</u>

Other commitments

The company is committed under forward foreign exchange contracts to the purchase of foreign currency to the value of £7,093,000 (2005: £2,475,000). The fair value of these forward exchange contracts at 31 December 2006 was a liability of £678,000 (2005: an asset of £90,000).

The company also had two interest rate swaps for its bank loans. The fair value of these interest rate swaps at 31 December 2006 was a liability of £4,218,000 (2005: a liability of £10,794,761).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

21. PENSIONS

The company participates, together with other AgustaWestland UK companies, in the Westland Pension Scheme, a defined benefit pension scheme. The company's pension cost is based on pension costs assessed under the scheme membership as a whole as is the company's pension contribution which is determined in accordance with advice from professionally qualified actuaries. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

Professionally qualified actuaries made an independent actuarial assessment of the Westland Pension Scheme at 5 April 2004 using the projected unit method. The aggregate market value of assets at the assessment date was £221 million and the estimated funding level on an on-going basis was 96%. The market value related basis for funding purposes assumes investment returns pre-retirement of 6.7% per annum, which exceeds the annual rate of increases in pensionable salaries by 3.1% with investment returns post-retirement of 5.7% per annum, which exceeds pension increases by 3.1%. The level of Scheme funding continues to be kept under review by employers' representatives and the Scheme trustees and further increases will be considered as necessary.

Particulars of the valuations and full disclosures are included in the accounts of Westland Helicopters Limited. It is not practical to split the assets and liabilities of the Scheme between the participating companies.

22. RELATED PARTY TRANSACTIONS

During the year under review the company purchased £1,143,091 (2005: £206,351) excluding VAT of goods and services from Westland Helicopters Limited. The company also purchased US\$16,343,882 (£7,636,908) (2005: US\$7,813,283 (£4,304,534)) of goods and services from The Boeing Company. At 31 December 2006 the company owed Westland Helicopters Limited £554 (2005: £42,012) and The Boeing Company US\$ nil (£nil) (2005: US\$144,771 (£83,202)).

The company has equal loan balances due to Westland Helicopters Limited and The Boeing Company. The aggregate amount is analysed in note 12.

23. CONTROLLING PARTY

The company is jointly controlled by Westland Helicopters Limited and The Boeing Company by virtue of each having ownership of 50% of the issued ordinary share capital in the company.